



**PANGAEA LOGISTICS SOLUTIONS, LTD.**

**RELATED PERSON TRANSACTIONS POLICY**

**A. Purpose and Overview**

Pangaea Logistics Solutions, Ltd. (the “*Company*”) recognizes that a Related Person Transaction (as defined below) can present potential or actual conflicts of interest between the interests of the Related Person (as defined below) and the interests of the Company and its subsidiaries. The Company’s Code of Business Conduct and Ethics provides that all conflicts of interest should be avoided. It is the Company’s policy to review any Related Person Transaction. The Company’s Board of Directors (the “*Board*”), acting through the Audit Committee (the “*Audit Committee*”) or as otherwise described herein, shall review the Related Person Transaction in question to determine whether the Related Person Transaction is in, or is not inconsistent with, the best interests of the Company, including but not limited to situations where the Company may obtain products or services of a nature, quantity or quality, or on other terms, that are not readily available from alternative sources or when the Company provides products or services to Related Persons on an arm’s length basis on terms comparable to those provided to unrelated third parties or on terms comparable to those provided to associates generally. If, after any such review, a Related Person Transaction is determined to be in, or not inconsistent with, the best interests of the Company, then the Related Person Transaction may be approved or ratified as set forth in the procedures below.

The Audit Committee will review and may amend this policy from time to time.

**B. Related Person Transactions**

For purposes of this policy, a “*Related Person Transaction*” is:

- (i) a transaction, arrangement or relationship (or any series of similar transactions, arrangements or relationships);
- (ii) in which the Company (including any of its subsidiaries) participates;
- (iii) where the amount involved exceeds or is reasonably expected to exceed \$120,000; and
- (iv) in which any Related Person had, has or will have a direct or indirect interest.

For purposes hereof, a “*Related Person*” is:

- » each director and executive officer of the Company, and any person who was serving as a director and/or executive officer at any time since the beginning of the Company’s last fiscal year;
- » any nominee for election as a director of the Company;

- » any security holder who, at the time of the occurrence of the transaction, owned beneficially or of record more than 5% of any class of the Company's voting securities;
- » any immediate family member of any of the foregoing persons; and
- » any affiliate of any of the foregoing persons or immediate family members.

An “*immediate family member*” includes the spouse, parents, stepparents, children, stepchildren, siblings, mothers- and fathers-in-law, sons- and daughters-in-law, brothers- and sisters-in-law, and any person (other than a tenant or employee) sharing the household of a director, executive officer, director nominee or greater than 5% security holder of the Company.

An “*affiliate*” of a person or an immediate family member means any firm, corporation or other entity in which such person is employed or is an officer, partner or principal or in a similar position or in which such person has a 5% or greater beneficial ownership interest and any charitable or non-profit organization for which such person is actively involved in fundraising or otherwise serves as a director, trustee or in a similar capacity.

### **C. Approval Procedures**

Before entering into the Related Person Transaction, (i) the Related Person, (ii) the director, executive officer, nominee or beneficial owner who is an immediate family member of the Related Person, if any, and/or (iii) the business function/department leader responsible for the potential Related Person Transaction will provide notice in writing to the General Counsel of the facts and circumstances of the potential transaction. The notice should include the following information:

- » the relationship of the Related Person to the Company;
- » the interest of the Related Person in the potential transaction;
- » a description of the potential Related Person Transaction, including who proposed the Related Person Transaction and the proposed aggregate value of the Related Person Transaction;
- » the benefits to the Company of the potential Related Person Transaction;
- » if applicable, the availability of other sources of comparable products or services; and
- » an assessment of whether the potential Related Person Transaction is on terms that are comparable to the terms available to an unrelated third party or to employees generally.

If the General Counsel determines that the proposed transaction is a Related Person Transaction, the proposed Related Person Transaction shall be submitted to the Audit Committee for consideration at the next regularly scheduled Audit Committee meeting or, in those instances in which the General Counsel, in consultation with the Chief Executive Officer or the Chief

Financial Officer, determines that it is not practicable or desirable for the Company to wait until the next regularly scheduled Audit Committee meeting, to the Chair of the Audit Committee (the “*Chair*”) (who shall possess delegated authority to act between Audit Committee meetings).

The Audit Committee, or where submitted to the Chair, the Chair, shall consider all of the relevant facts and circumstances available to the Audit Committee or the Chair, including (if applicable) but not limited to: the benefits to the Company; the impact on a director’s independence in the event the Related Person is a director, an immediately family member of a director or an entity in which a director is a partner, stockholder or executive officer; the availability of other sources for comparable products or services; the terms of the transaction; and the terms available to unrelated third parties or to associates generally. The Audit Committee (or the Chair) shall approve only those Related Person Transactions that are in, or are not inconsistent with, the best interests of the Company, as the Audit Committee (or the Chair) determines in good faith. The Audit Committee or the Chair, as applicable, shall convey the decision to the General Counsel, who shall convey the decision to the appropriate persons within the Company.

The Chair of the Audit Committee shall report to the Audit Committee at the next Audit Committee meeting any approval under this policy pursuant to delegated authority.

If a member of the Audit Committee, or his or her immediate family member or affiliate, is involved in the Related Person Transaction, that member shall not participate or vote in determining whether the Related Person Transaction shall be approved or ratified by the Audit Committee; *however*, such director shall provide all material information concerning the Related Person Transaction to the Audit Committee, and such director may be counted in determining the presence of a quorum at a meeting of the Audit Committee acting on the transaction.

If the Related Person Transaction will be ongoing, the Audit Committee may establish guidelines for the Company’s management to follow in its ongoing dealings with the Related Person.

#### **D. Ratification Procedures**

In the event the Company becomes aware of a Related Person Transaction with a Related Person that has not been approved under this policy prior to the consummation of the Related Person Transaction, the matter shall be promptly reviewed by the Audit Committee. The Audit Committee shall consider all of the relevant facts and circumstances regarding the Related Person Transaction, including the items listed above, and shall evaluate all options available to the Company, including ratification, revision or termination of the Related Person Transaction. The Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Person Transaction to the Audit Committee under this policy, and shall take any such action it deems appropriate.

#### **E. Annual Review Procedures**

The Audit Committee will, on at least an annual basis, review and consider any previously approved or ratified Related Person Transactions that remain ongoing to determine, based on the then-existing facts and circumstances, including the Company’s existing contractual or other

obligations, if it is in the best interests of the Company to continue, modify or terminate the ongoing Related Person Transactions.

## **F. Pre-Approval of Related Person Transactions**

The Audit Committee shall have the authority to approve in advance categories of Related Person Transactions that (unless the Audit Committee determines otherwise in a particular instance) need not be individually reported to, reviewed by, and/or approved or ratified by the Audit Committee but may instead be reported to and reviewed by the Audit Committee collectively on a periodic basis, which shall be at least annually.

The Audit Committee has determined that each of the types of Related Person Transactions listed below shall be deemed to be pre-approved or ratified, even if the aggregate amount involved exceeds \$120,000 and shall not require review or approval by the Audit Committee:

1. **Employment of executive officers.** Any employment by the Company of an executive officer of the Company if the related compensation is required to be reported in the Company's filings with the U.S. Securities and Exchange Commission ("SEC") under Item 402 of Regulation S-K (generally applicable to "named executive officers") or Item 404 of Regulation S-K.
2. **Director compensation.** Any compensation paid to a member of the Board if the related compensation is required to be reported in the Company's filings with the SEC under Item 402 of Regulation S-K or Item 404 of Regulation S-K.
3. **Reimbursement of expenses.** Reimbursement of advances of business travel and expenses incurred or to be incurred directly by a director or executive officer of the Company in connection with the performance of his or her duties and approved in accordance with the Company's expense reimbursement policy.
4. **Certain transactions with other companies.** Any transaction with another company at which a Related Person's only relationship is as an employee (other than an executive officer), director or beneficial owner of less than 10% of that company's stock, if the aggregate amount involved does not exceed the greater of \$1,000,000, or 2% of that company's total annual revenues.
5. **Certain charitable contributions.** Any charitable contribution, grant or endowment by the Company to a charitable organization, foundation or university where a Related Person is an employee, if the aggregate amount involved does not exceed the lesser of \$1,000,000 or 2% of the charitable organization's total annual receipts.
6. **Transactions where all shareholders receive proportional benefits.** Any transaction where the Related Person's interest arises solely from the ownership of the Company's common stock and all holders of the Company's common stock received the same benefit on a pro rata basis (*e.g.*, dividends).
7. **Transactions involving competitive bids.** Any transaction involving a Related Person where the rates or charges involved are determined by competitive bids.

**G. Required Disclosures in SEC Filings**

All Related Person Transactions are to be disclosed to the extent and in the manner required by all applicable legal, regulatory and listing requirements including the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended, and the related rules and regulations promulgated thereunder.

Approved: October 31, 2014